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Executive Summary

PURPOSE

This report updates our response to House Report 105-340, page 94, which required the Director of the Defense Logistics Agency (DLA) to develop and submit to Congress a schedule for implementing best commercial inventory practices for the acquisition and distribution of certain supplies and equipment, consistent with military requirements. The report provides the current status of the Agency's implementation of best commercial practices for the following types of supplies and equipment: Medical and Pharmaceutical, Subsistence, Clothing & Textiles, Commercially Available Electronics, Construction, Industrial, Automotive, Fuel, and Facilities Maintenance, as required by the statute. It also addresses Agency programs in other areas that likewise make major contributions to the shift to commercial practices. Other programs described in the report include Aviation support, Engine and Weapon System support, DLA's Battery Consignment Program, support for Land Based and Maritime Weapon Systems, Electronic Commerce, Corporate PCO, and A-76 Competitive Sourcing in several business areas.

LINKAGES

The initiatives described herein are integrally linked to the DoD Logistics Strategic Plan, the DLA Strategic Plan, and many DoD and DLA strategic programs:

DoD Logistics Vision

By FY2006, the joint logistics process will be a highly efficient, integrated system that ensures required support to the Warfighter.

FY 2000 DoD Logistics Strategic Plan

- **FY2000 DOD LOGISTICS STRATEGIC PLAN -** DLA's best commercial practice initiatives are targeted to support the end-state characteristics identified in the FY2000 DoD Logistics Strategic Plan.
    - **Integrated Supply Chain -** Several DLA initiatives provide supply chain and integrated supply support to our customers. These initiatives are tailored to customer requirements in order to allocate resources efficiently and enable customers to attain optimum performance of assigned missions.
    - **Streamlined Business Processes -** DLA's initiatives are intended to take advantage of private sector competencies in improved reliability of products, agile manufacturing capabilities, and just-in-time or phased deliveries that significantly reduce the need for inventory investment.

- **"Best Value" Products and Services -** DLA was the leader in DoD in adopting best value acquisition practices. We apply those requirements to our industry partners by reviewing their material management plans, in order to ensure competent stewardship of taxpayer dollars and superior support to the warfighter.
- **Joint Warfighting -** DLA best practice initiatives are tailored to meet customer needs in peacetime or surge situations, both CONUS and OCONUS.

"Each and every one of us must work together for 'One Team. . .One Focus' to make our vision of providing the *right item - at the right time - to the right place - at the right price, every time. . .best value solutions* a reality. America's warfighters deserve no less and are counting on us to make this happen. **DLA 21** is the path to success."

Lieutenant General Henry T. Glisson, Director, DLA

- **STRATEGIC PLAN 2000 - DLA 21 -** The best practice initiatives described in this report support the DLA strategic goals: Consistently provide responsive, best value supplies and services to our customers; Reduce costs - improve efficiency - increase effectiveness; and, Ensure our workforce is enabled to deliver and sustain world class performance.

- **JOINT VISION 2010 (JV 2010)** - The initiatives described constitute a significant portion of DLA's logistics strategy to support JV 2010.

"The four pillars of JV 2010 are its key operational concepts - dominant maneuver, precision engagement, **focused logistics**, and full dimensional protection - along with two critical 'enablers' - technological innovation and information superiority. Each of these is interdependent. . . . **Focused logistics** envisions something never before seen on the battlefield. What we are moving toward is a logistics architecture that can fuse information, transportation, and logistics to get the right kind of support to the operator where it's needed, when it's needed, and in the right amounts."

(General Henry H. Shelton, Chairman, Joint Chiefs of Staff)

- DLA's initiatives contribute to the concept of focused logistics. The tenets of focused logistics include: Joint Deployment & Rapid Distribution, Information Fusion, Joint Theater Logistics Command & Control, Multinational Logistics, Joint Health Services Support, and Agile Infrastructure.

- Initiatives intended to assure flexible contractual coverage for consumable supplies and decrease logistics response time support DoD's focus on rapid deployment and distribution.
- Electronic commerce initiatives, such as EMall, Business Systems Modernization, and DSCP Inventory Locator Network contribute to Information Fusion by making important acquisition information easily and rapidly available to users.
- DLA's Medical and Pharmaceutical prime vendor arrangements such as Fleet Prime Vendor support the Joint Health Services portion of JV 2010.
- DLA makes significant contributions to the Agile Infrastructure portion of JV 2010. Outsourcing and privatization are supported by our A-76 Competitive Sourcing initiative. Most of the initiatives contained in the report leverage the benefits of commercial business practices for DoD, and the prime vendor and direct vendor delivery arrangements contribute to the right-sizing of inventory. The Integrated Casting Design Team, which was the recipient of one of Vice President Gore's Hammer Awards, provides an example of our support to advanced concept technology demonstrations.

- **REDUCTION IN TOTAL OWNERSHIP COSTS (RTOC)** - The initiatives are designed to reduce item costs, reduce customer wait time, or decrease government-owned inventory investment, all of which contribute to the DoD goal for reduction in total ownership costs.

- **PRODUCT SUPPORT REENGINEERING (SECTION 912(C))** - Secretary Cohen's response to Section 912 (c) of the Fiscal Year 1998 National Defense Authorization Act required action in several areas. The DLA prime vendor and virtual prime vendor initiatives provide direct support to the Secretary's implementation plans to meet the requirements of Section 912(c) by expanding the use Prime Vendor and Virtual Prime Vendor arrangements. In addition, the Strategic Material Sourcing program goes beyond prime vendor type contracting to adopt commercial practices and processes across the entire range of items DLA manages.

STRATEGIC MATERIAL SOURCING

The initiatives constitute a major portion of DLA's disciplined approach and execution strategy to meet the DLA goal of implementing the shift to commercial practices by FY 2005. The Strategic Material Sourcing program can be categorized in four major phases: planning, development, implementation, and maintenance. Completion of the first three phases is scheduled for the end of FY 2004. Work on the planning phase has been completed. Efforts are now being focused on team and consensus-building throughout the DLA community as part of the development phase. The planning effort has disclosed candidates, such as utilization of Corporate Contracts, for 'quick start' efforts that are being undertaken in parallel with the development phase.

This report shows actions planned and in process to transform DLA's methods of operation away from traditional Government-unique processes towards an integrated approach to supply chain management, using commercial processes where appropriate. The initiatives contained in the report are those implemented by the DLA field activities: Defense Energy Support Center (DESC), Defense Supply Center Columbus (DSCC), Defense Supply Center Philadelphia (DSCP), and the Defense Supply Center Richmond (DSCR). DLA's efforts to shift to commercial practices are nearly complete for the troop support commodities (medical and pharmaceutical, subsistence, and clothing and textile items). Our current challenge is the implementation of similar practices for weapon system and hardware items.

SUMMARY OF INITIATIVES

- This report provides updated status on 50 initiatives from the 1998 report.
- An additional 39 initiatives were added, for a total of 89 initiatives in 17 commodity groups.
- Many of the new initiatives represent significant expansions of earlier reported initiatives that have been tailored to a customer's needs to encompass additional products and services, delivery requirements, schedule requirements, or location.
- Initiatives fall into four categories: Prime Vendor and Virtual Prime Vendor arrangements, Corporate and Long Term contracts, electronic commerce, and other initiatives, such as the Strategic Supplier Alliance and A-76 Competitive Sourcing.
- Where available, data on current or project sales or numbers of items covered is provided.
- For performance indicators, DLA is using customer driven measures of success, such as:
    - Reviewing progress against corporate customer goals and operational objectives.
    - Using measures preferred by the customer.
    - Contracting for the right level of performance in services.

Commercial Practices Arrangements Implemented or Planned for Implementation by DLA

STRATEGIC MATERIAL SOURCING

Strategic Material Sourcing Initiative. For several years, DLA has been firmly engaged in shifting its acquisition practices to match those used by the commercial sector. Starting in FY 1999, we have reviewed our processes in this area and have adopted a more strategic view of this objective. We are taking an overarching approach that involves review of each and every DLA managed item in a systematic manner in order to eliminate unnecessary overlap and redundancy. Based on this review and the already proven successes in the clothing & textile, medical, and subsistence commodities, the agency will build an implementation plan to complete this shift by FY 2005. This effort will separate items according to their best logistics support structure, group items that share common characteristics, and use the best applicable commercial practice to acquire the resulting requirements. To support this effort, the implementing activities will work together to adopt a common process, identify and/or develop analytical tools intended to streamline the business case analysis process, and develop materials to train the entire workforce to use the emerging tools and practices.

The following chart provides the schedule for execution of our SMS strategy.

MEDICAL AND PHARMACEUTICAL

Fleet Prime Vendor. The Medical PV program has been expanded to provide pharmaceutical and medical/surgical products to the Navy Fleet, regardless of location, and allows the customers to take advantage of commercial business practices while still addressing their military unique requirements. This is a new initiative that was not included in the original Sec. 395 report. This program offers the Fleet the same products that are available to other Military Services, along with providing low prices and consistent deliveries. DSCP accommodates the requirements of the Navy by furnishing a single source for ordering so that supply operations and legacy systems aboard ship remain intact. The Fleet PV provides mobilization support to hospital ships with the mission of providing mobile, flexible and rapidly responsive acute-care during any National emergency. Upon notification of activation, pharmaceutical supplies are delivered to these ships within three days. FY 98 Activity for Fleet PV accounted for $4 million in sales and over 47,000 orders delivered to the Fleet.

Dental Delivery Systems. The Medical Equipment Group recently awarded contracts for dental delivery systems. These awards are some of the other medical commercial practice initiatives described in the original Sec. 395 report which were planned for award in the last quarter of FY 98. The multiyear contracts are comprised of a base year with four one-year options. The dental delivery system consists of several possible configurations, from the basic dental chair unit to fully integrated models with accessories. The contracts provide lower prices and faster service. In addition, the Equipment Group awarded a new contract for oxygen analyzers. This contract provides for direct customer delivery for up to five years and uses tiered pricing for additional customer savings when ordering large quantities of the item.

Medical Surgical Vendor Managed Inventory (VMI). On July 21, 1999, DSCP Medical awarded a requirements contract for re-supply support to DoD forces during military operations or up to two major regional conflicts. The award covers 111 medical surgical items and 52 unit assemblies. The contract was awarded to Allegiance Healthcare Corp. and includes a base period of five years, plus five one-year options. Urgent delivery, small quantity buys may also be processed by the DSCP Medical Emergency Supply Operations Center (ESOC). This program was partially funded using War Stopper Dollars. Estimated value of total base period is $3,963,502. This is another new program not previously described in the Sec. 395 report.

Medical Tracking System. Another initiative not included in our previous submission for Sec. 395 is the Medical Tracking System. DSCP and the United States Transportation Command (USTRANSCOM) are implementing a Direct Vendor Delivery (DVD) In Transit Visibility (ITV) prototype that tests new prime vendor business practices and technologies. The DVD ITV prototype team includes Bindley Western Industries, USTRANSCOM, the Military Traffic Management Command, US Bank, Emery Worldwide, and the Department of Transportation's Volpe National Transportation Systems Center. The prototype calls for Bindley Western, a DLA medical prime vendor, to generate shipment information in American National Standards Institute (ANSI) X12 electronic data interchange (EDI) formats and forward that information electronically to various military and commercial trading partners. This effort will result in improved warfighting readiness by providing visibility of pharmaceuticals in USTRANSCOM's Global Transportation Network (GTN) as they move to overseas locations through the commercial and military transportation systems.

SUBSISTENCE

Food Service Equipment. In addition to the several subsistence initiatives highlighted by the original Sec. 395 report, DSCP continues to pursue a new contract with an integrated supplier to provide a broad range of food service equipment (FSE) and associated services for use worldwide by U.S. military dining facilities, including Navy shipboard galleys. Initial awards are in place. These awards are long term contracts consisting of a one-year base with four additional one-year options. DSCP expects to award at least three long term contracts. Each contract will be for a one year period with four additional one year options available, therefore, if all options are exercised, these contracts will provide support until 2004. These contracts will offer the customer a choice of products and services based on the customer's needs including consideration for price, delivery, and quantity. The contracts are expected to provide lower cost material, and include the ability to support customers' emergency requirements. Awards will be made for the following regions: West Coast and Pacific Theater region (eastern Asia, including Japan, Korea, Guam, and the states of Hawaii, California, Oregon, Washington, and Alaska); the East Coast and European Theater region (Europe, Asia Minor, the Caribbean Basin, and the states of Florida, Georgia, South Carolina, North Carolina, Virginia, Massachusetts New Hampshire, and Maine); and the Central U.S. region (states within the continental U.S. not assigned specifically to the West Coast or East Coast region.) No contractor will receive an award for more than one region; however, any contractor receiving an award must be prepared to accept and support customers in other regions, should a situation arise that would warrant such a course of action. Based on the present customer base, sales during FY 2000 are estimated at approximately $24 million.

Subsistence Prime Vendor (SPV) for Navy Ships. SPV CONUS has been completely rolled out. Under a new initiative not previously mentioned in the Sec. 395 report, SPV for Navy Ships has been awarded for three areas that require contracts separate from the land awards. Those areas are Norfolk, San Diego, and Puget Sound. The majority of the ships at Norfolk are receiving their full line food service distribution from the SPV. That contract has begun its second year of operation. A variety of Navy ships are being serviced under this contract, with daily deliveries to approximately 15 ships. In July 1998, a contract was awarded to cover the Cargo Logistic Fleet at Norfolk, VA and Earle, NJ. The contract is for one year with four one-year options. The anticipated yearly dollar value is $21 million. In December 1997, a contract was awarded to another PV for full line food distribution for Navy ships at San Diego. The contract is for one year and contains four one-year options. The anticipated yearly dollar value is $20 million. There are 60 ships listed on the contract plus five non-ship locations. Implementation was accomplished using the Subsistence Total Order and Receipt Electronic System (STORES) which provides customers with the ability to order produce, dairy, and bakery products. In February 1998, a contract was awarded to another PV for full line food distribution for Navy ships at Puget Sound. The contract is for one year and contains four one-year options. The anticipated yearly dollar value is $10 million. There are 24 ships listed on the contract. This contract utilizes STORES as well; however, the PV will be responsible for dairy products in addition to the full line of food.

SPV Europe. As stated in the original Sec. 395 report, *c*ontracts for two zones in Europe were awarded in January 1998. This update explains that the cataloging process has been completed at all the awardees' CONUS locations, and PV implementation has been completed for both zones. The Northern Zone has an estimated dollar value of $150 million for the base contract plus four one-year options. The Southern Zone has an estimated dollar value of $131 million for the base contract plus four one-year options. The Northern European Zone encompasses Germany, the United Kingdom, and OJG Support (Bosnia), while the Southern European Zone encompasses the Azores, Spain, Italy, Greece, Turkey, Sinai, Saudi Arabia, Kuwait, and US Navy Ships in the Mediterranean at various ports of call.

SPV Pacific. Significant progress has been made under the SPV Pacific initiative since the original Sec. 395 submission. SPV Pacific has had an aggressive roll out schedule. Since SPV Guam implementation in March 1998 (estimated total dollar value of award $42.5 million, which represents the base year plus four one-year options), sales exceeded $3.3

million. Business has expanded since DSCP and the USDA entered into an agreement to support the Guam Public Schools with SPV. Estimated annual sales for the Guam schools are expected to be approximately $1.8 million. SPV Japan was awarded September 1998 (estimated total dollar value of award $150 million, which represents the base year plus four one year options). Implementation is complete and orders are being placed. The Overseas Support Service mission continues to support non-appropriated customers, such as Officer's Messes and Morale, Welfare & Recreation clubs with brand name items using our existing Supply Bulletins. To date sales exceed $4.6 million. These brand name products will be incorporated into the SPV Japan catalog. SPV Okinawa was awarded November 1998 (estimated total dollar value of award $82.5 million for the base year and four one year options). Implementation is complete with orders being obligated at $1.2 million. SPV Korea was awarded June 1999 (estimated total dollar value of award $155 million for the base year and four one year options). Implementation is scheduled for completion in September 1999. SPV Alaska was awarded as part of the Northwest Region with the states of Washington and Oregon. Army locations were rolled out in 1998, and Air Force locations completed roll out in 1999.

Milk Products for Japan. In addition to the SPV Pacific initiative, an award for Milk, Milk Products, Fruit Drinks and Ice Cream for mainland Japan was awarded August 1998. This award was in response to the closure of the Kanagawa Milk Plant. The contact has a one-year base period (estimated dollar value $13 million) plus four one-year options. This is a new initiative, developed in the time since the original Sec. 395 submission.

CLOTHING & TEXTILES

Recruit Clothing Prime Vendor. This will update information provided in the original Sec. 395 report. A Clothing & Textiles (C&T) Prime Vendor pilot program contract for recruit clothing items was awarded in November 1995. A follow on award was made in April 1999 for continued support of this program. Performance under the follow-on award began in June 1999. Sales through December 1999 totaled $16.8 million. The prime vendor is responsible for providing all initial issue clothing bag items to all U. S. Air Force recruit personnel at the Recruit Induction Center at Lackland AFB, Texas. Under the initial prime vendor contract the Air Force inventory was decreased by approximately $6 million.

Virtual Vendor Partnership. Under a new initiative developed since the previous Sec. 395 report was submitted, DSCP C&T has established a

Virtual Vendor Partnership with the Navy at Great Lakes, IL. DSCP has assumed ownership and control of the wholesale recruit clothing inventory at Great Lakes, providing stock to the recruit issue line as required. So far, the program has resulted in $14.2 million savings in Navy clothing investment. Overall inventory savings of $17.2 million are anticipated. To successfully implement the Virtual Vendor program, an automated Electronic Point of Sale (EPOS) application was installed. EPOS is a Navy-developed retail inventory control, billing and planning system.

Automated Systems for Catalog & Ordering Textiles (ASCOT). This is an addition to our original Sec. 395 initiative report. ASCOT allows customers to search, select, and requisition items via the Internet. When searching, customers can view a picture of the item (along with the NSN and description), identify the corresponding inventory manager's name and telephone number, and check stock status and price. In an effort to continually improve customer support, DSCP's customers can use ASCOT to generate requisitions directly to save hours, or even days, from processing time. ASCOT is a vital link in numerous C&T contracting initiatives by providing on-line ordering capabilities for our customers. Customer acceptance of this innovative ordering method is increasing. In FY 97, there were only 1,160 ASCOT requisitions (which amounted to $867,458 in sales); in FY 98, ASCOT requisitions increased to 12,104, with a sales increase to $18,685,446. FY 99 sales of $50 million are anticipated.

National Guard Virtual Prime Vendor. The National Guard Virtual Prime Vendor (VPV) program is a business initiative allowing National Guard members and units to receive personal clothing items in a "kit" in ten days or less, depending on priority. This is another new initiative for the Sec. 395 update. The kit consists of multiple items, including Battle Dress Uniforms with embroidered name tags sewn on. Initial shipments under the program were made in January 1999. Currently, twenty-five states are participating in the program, and it is anticipated that within one year, all 50 states and four territories with National Guard units will be participating. Sales of $8 million have already been recorded. Routine orders are shipped within ten days, although the contract includes provisions for delivery in three days in urgent situations. Customers also have the option of ordering in advance, and requesting delivery at a specified delivery date more than ten days away. Sales of $3.2 million have already been recorded. National Guard personnel achieve outstanding service in this program in that goods are received with greatly reduced time frames. In addition, the new method is convenient for the user due to order placement via our user-friendly web-based ordering system (ASCOT). Facsimile and telephone orders are also permitted. Furthermore, the VPV is extremely beneficial to the States because it eliminates the need for maintaining large quantities of stock at one or more facilities, and the huge transportation and personnel costs in distributing these goods to the end customer. Personnel performing these tasks are free to perform other essential duties. It is estimated that the National Guard nationwide will save approximately $10 million annually. DSCP is the prime contractor for the National Guard with the Kentucky Logistics Center serving as DSCP's subcontractor. DSCP and the Kentucky Logistics Center are responsible for receipt, storage, and disbursement of the clothing items within the contractually specified time frames. This VPV already has a success story - an entire National Guard unit was able to deploy in support of Operation Southern Watch with all deploying members in complete uniform including proper name tags despite a short deployment notice.

Christian Ecclesiastical Prime Vendor. Another recently created program is being reported for the first time in this update to the Sec. 395 report. The first Christian Ecclesiastical Prime Vendor (CEPV) contract was awarded in January 1999. The dollar value of this minimum/maximum award is $1 million/$15 million for the base year, plus four one year options. The CEPV is responsible for supplying over 450 ecclesiastical items for chaplain customers worldwide. In the past, ordering supplies was complicated and cumbersome. In addition, the National Stock Numbers (NSNs) in the system were not the items that the chaplains really wanted, or the supplies, when delivered, were old or not fit for use. The CEPV acquires mostly commercial brand names and offers improved customer support. The CEPV ensures that all items will be of the highest quality. All items come with a warranty that guarantees all supplies will be free of defects in material and workmanship for twelve months after receipt, or the item will be replaced free of charge. The CEPV uses the brand names chaplains prefer, such as Abbey, Slabbinck, Regal, Morgan, Excelsis, Cathedral Candle Company, Will & Baumer, Artistic Churchware, and others. The CEPV's prices are less than retail or catalog prices from most commercial religious supply vendors, and our unit prices include the transportation costs. On line ordering is available through ASCOT. Other PV contracts for the Muslim and Jewish faiths are in process, as well as contracts for military unique field items.

Virtual Prime Vendor Southeast. DSCP C&T awarded Virtual Prime Vendor Southeast (VPV-SE) in August 1999. VPV-SE (referred to as VPV Uniforms in the original Sec. 395 report) is a third party total logistics solution for receipt, storage, and distribution of recruit apparel items to approximately 2,500 military customers located in the southeastern region of the United States. The southeast region consists of the following states: Virginia, West Virginia, North Carolina, South Carolina, Florida, Georgia, Alabama, Mississippi, Louisiana, Arkansas, Tennessee, and Kentucky. Items to be supplied are recruit clothing items such as dress coats, slacks, shirts, undergarments, shoes, caps, sweatsuits, etc. These items are utilized in the “Recruit Clothing Bag” issued to every recruit to meet their daily training requirements.

The resulting contract has a potential performance period of ten years (a base term of three years and seven one-year term options). The VPV-SE contractor will be expected to use commercial practices to provide 100% supply availability, and will be required to anticipate customer demand. The VPV contractor will be required to deliver to the military customer within 1 to 7 days based on priority of the customer requisition. Estimated annual dollar value of sales of these clothing items within this region is $160 million. Anticipated savings due to inventory reduction cannot be calculated with any accuracy at this point; however, savings due to more efficient distribution methods are expected to approximate $9 million per year during the program life.

Anticipated advantages of the VPV-SE program are: reduced order ship times, lower warehouse costs, optimized inventory levels, improvement and retention of readiness capability, record of customer receipt, no payment for late or incorrect shipments, and visibility of in-transit shipments. Expansion of this program within CONUS is expected to be completed by 3rd quarter of FY01.

VPV USMC Recruit Bases Initiative. This is a project started in the summer of 1997 teaming USMC, DSCP, DDC, DLA Apparel Research Network (ARN) and academia to reduce order ship time and revamp the order entry management system at USMC Recruit Bases. This is another first time inclusion for the Sec. 395 report update. The underlying concept envisions the two universities functioning as a virtual prime vendor having no physical inventory or distribution site, but functioning as the "brain" of the logistic support process. The goals of this initiative are as follows: (1) Assist Marine Corps Recruit Training Centers (RTCs) to significantly reduce bulk retail inventories; (2) revamp Marine Corps RTCs inventory and order generation systems; (3) assist DSCP in optimizing system inventories; (4) develop a data warehouse to provide total system asset visibility (depot, Marine Corps RTCs, and ultimately contractor finished goods inventory) for all Marine Corps "bag" items; (5) create forecasting tools to predict Marine Corps RTCs requirements and provide "rough cut schedules" to manufacturers of Marine Corps "bag" items. Clemson University will concentrate on balancing inventory and forecasting cutting schedules for manufacturers of Marine Corps recruit items; while California State Polytechnic University (Cal-Poly) will focus on improving inventory and ordering systems and providing total system asset visibility. The initial phase of this project has begun, with all "bag" items issued at Parris Island being managed by Clemson University using Balanced Inventory Flow Replenishment System. A software system (Quality Logistics Management) has been implemented at San Diego

MCRD. The first generation of the web-based asset visibility system (Automated Supplier Apparel Production, or ASAP) has been loaded with inventory data from MCRD, SAMMS, and 25 manufacturers, and is being tested. USMC Parris Island has teamed with Clemson University and DD Albany to re-work the ordering system. The first items were added in December of 1997 and the balance in February of 1998. The system uses the Balanced Inventory Flow Replenishment System (BIFRS) in conjuction with ARN databases to generate replenishment packages. Parris Island has already reduced their inventory from \$8.5M to \$3.9M. At San Diego MCRD, Cal-Poly and DD Tracey teamed to revamp the inventory management functions and replenishment order system. A prototype was begun in May of 1998. The Quality Logistics Management system has assisted San Diego MCRD to draw down their inventory from \$8.7M to \$2.4M. Added features include an operating electronic special measurement order system and full body scanning (testing on-going). Based on the success with implementation at the two Marine Corps Recruit Training Centers, the program is being expanded to include the five Army recruit induction centers.

COMMERCIALLY AVAILABLE ELECTRONICS

Tailored Product Line Support (T-PLUS). DSCC is working with the Army (Tobyhanna Army Depot), Navy (NADEP Jax), and Air Force (Tinker, Oklahoma City and Warner-Robins ALCs) to match critical depot support/overhaul parts with commercial product lines in five to ten specific electronics federal supply classes. The initiative, called Tailored Product Line Support (T-PLUS), is a pilot effort intended to capitalize on existing commercial practices for a portfolio of items commonly available for rapid delivery in order to reduce logistics response time to the customer for a range of depot program pacing items. While the seed population of items for this initiative is drawn from Service depot programs, worldwide demand will be supported for all items included in the contract to obtain the advantages of leveraged buying power. The first phase of T-PLUS involves a single FSC/product line (connectors) and is estimated at approximately \$10M annually. The second phase involves four additional FSCs/product lines (resistors, capacitors, semiconductor devices and microcircuits) and is estimated at approximately \$4M annually. The third phase involves five more FSC/product lines (fuses, circuit breakers, switches, coils, and wire and cable) and is estimated at approximately \$7.5M annually. The target roll out plan for the three phases stretches from December 99 through June 00. This new initiative is included in the Sec. 395 report for the first time.

CONSTRUCTION

Facilities Maintenance (Wood Products Prime Vendor). Under this DSCP-managed program contractors provide bulk lumber, millwork, and wood for use in military construction, major facilities maintenance projects, and other non-maintenance projects. In accordance with plans described in the original Sec. 395 report, initial award for the Mid-Atlantic Region was made in May 1998. Contracts to cover the remaining CONUS locations, and the Pacific Region were awarded in July 1999. A solicitation to provide coverage for the European region was cancelled. DSCC intends to reissue it in December 1999. Contracts awarded under the Facilities Maintenance program will be one-year contracts with four one-year options, thereby providing support until 2004. Potential sales for the Facilities Maintenance Program could total $120 million.

INDUSTRIAL

Industrial Prime Vendor Benchstock Program. DSCP is making significant progress in implementing the Industrial Prime Vendor (IPV) Program identified in the original Sec. 395 report. This program provides an integrated logistics solution for consumable items used in the overhaul, repair and maintenance of weapon systems. These items are normally stocked at or near the point of use, and are sometimes referred to as benchstock. Benchstock is comprised of commercial items, such as O-rings, bolts, screws, nuts, washers, seals, couplings, and rivets. Contracts were awarded to support the Naval Depot North Island in July 1998, the Naval Depot Cherry Point in August 1998, Camp Pendleton and Camp LeJeune in January 1999, and Okinawa in March 1999. Those locations are currently undergoing implementation. Contract awards have also been made for Marine Corps Logistics Base (MCLB) Albany and Barstow. Through May 1999, sales totaling $5.6 million have been realized at NADEP North Island and NADEP Cherry Point. Award for Anniston Army Depot is projected for December 1999. Awards to the Air Logistics Commands at Ogden, Warner Robins, and Oklahoma City are on hold, pending Air Force resolution of union negotiations.

DSCP Inventory Locator Network (DILNet). This is a new initiative making its first appearance in the Sec. 395 report update. DSCP, in partnership with several of its contractors, has created the DILNet database. It shows the total inventory quantities available for the NSNs that are being provided by those contractors. Each day, DILNet vendors electronically transmit information about their available inventory to DSCP. The inventory data is available to contract specialists, who can issue orders for this material in accordance with the DILNet Basic Agreement.

Kitting Program. DSCP's kitting program provides customers with kits containing specific parts for use in maintaining and repairing various weapon systems. Kitting capability reduces repair cycle time, order ship time, and dollars spent on inventory while strategic logistics kitting increases readiness. Kits are constructed to provide mandatory replacement parts for a particular repair/overhaul action. DSCP, in conjunction with commercial partners, works with maintenance personnel to tailor kits to the actual work, eliminating excessive waste and unused parts. Using commercial suppliers to build and issue these kits provides the flexibility to meet our customers' requirements. DSCP manages kits for customers at intermediate and depot level repair locations for all military services. 95% of the kits are used in hydraulic applications, and 5% are used in engine applications. 99% of the kits are supported on a DVD basis.

AUTOMOTIVE

DLA provides consumable spare parts for automotive vehicles (automobiles, transport equipment, construction equipment, and material handling equipment) in a variety of ways. We have established corporate contracts with a number of contractors: AM General, Oshkosh Truck, Penn Detroit Diesel, NAPA, Freightliner, Westside Tractor (John Deere distributor), Caterpillar, Cummins, Donaldson, and Komatsu. Under a corporate contract, we aggregate requirements of one or more of DLA's inventory control points with a single source across the broadest range of items, including distribution and delivery. The contract may be NSN-specific for all single source items by manufacturer, or it may incorporate a manufacturer's entire commercial price list.

Meritor Heavy Vehicle Systems. In accordance with plans contained in the original Sec. 395 submission, DSCC awarded a corporate contract for Meritor Heavy Vehicle Systems (formerly Rockwell Automotive) to a Meritor distributor, BTMC Corp. The contract was awarded July 1, 1998 and supplies items contained in Meritor’s Parts Price List. This price list contains approximately 28,000 part numbers, 1,231 of which can be cross-referenced to NSNs (616 are DSCC’s, 547 are DSCP’s and 68 are DSCR’s NSNs). EDI and credit card orders are being used. The contract is for one base year, plus four one year options, providing coverage until 2003. We are currently preparing a solicitation to include Meritor NSNs that are not price listed, have origin inspection, or are competitive with drawings and/or specifications. This will include approximately 350 NSNs, including 157 TACOM items).

Circle Seal Corporate Contract. DSCC is still working to establish a corporate contract with Circle Seal for automotive valves, controls and filters, as described in the original Sec. 395 report. The proposed contract will cover 700 NSNs, 70% of which will be provided via DVD, and customers will be able to place orders using credit cards. A partial award has been made. Contract award for additional NSNs is anticipated to occur during the first quarter of FY 00. The contract will contain one base year and four one year options, which will provide coverage until 2004, if all options are exercised. The contract has a potential dollar value of $13 million, if all options are exercised.

Donaldson Company Corporate Contract. DSCC is pursuing a corporate contract project with Donaldson Company (through BTMC Corporation) for 399 NSNs, predominately filters with land application. Approximately 30% will be provided via DVD. Customers will be able to place orders using credit cards or via MILSTRIP requisitions. Award is planned for the fourth quarter of FY99. The contract will contain one base year and four one-year options. The resulting contract will have a potential dollar value of $8.5 million, if all options are exercised. This is a new initiative, reported for the first time in this Sec. 395 report update.

Prime Vendor Acquisitions for Automotive Items in Process at DSCC:

Automotive Prime Vendor Overseas (APVO). DSCC has completed the award process for the Prime Vendor Overseas initiative described in the original Sec. 395 report. This five year contract with W & W Logistics provides expedited delivery of high volume NSNs, Cage and Part Number price listed items, non-price listed items, and low volume, hard-to-find items in support of miscellaneous vehicular, engine, power transmission or other equipment repair parts. The contract (effective May 1998) has a two-year base with options to extend for three additional one-year periods with an estimated dollar value of $25,000,000 over five years. The APVO contract covers approximately 1,900 priced NSNs and part numbered items in addition to approximately 875 manufacturer CAGE Codes. W & W Logistics provides technical assistance to customers in such areas as part number identification, clarification of requirements, item descriptions and other support that may be necessary prior to submission of a requisition. Responses to all post award issues such as status requests, cancellations, and expedites is the responsibility of W &W Logistics.

Fleet Automotive Support Initiative (FASI). This prime vendor initiative has been refined from the description provided in the original Sec. 395 report. As stated previously, it will provide logistics support for a customer's entire automotive fleet, including parts support, technical support, fleet requirements forecasting, and inventory management. All automotive vehicles (autos, transport equipment, Material Handling Equipment (MHE), etc.) will be supported. Five potential regions have been identified based on initial customer analysis. Initial implementation sites in the first two regions will be the USMC 1st FSSG at Camp Pendleton in California, identified in the West Region, and the second implementation site will be the USMC 2nd FSSG at Camp LeJeune in the East Region. Initially, at least 1,400 NSNs will be covered. Award is anticipated during the first quarter of FY 2000. A follow-on RFP for additional military customer support under the three additional regions is expected to be released during first quarter FY 2000 also.

FUEL

Regional Demonstration of Total Energy Management. DESC's regional demonstration of total energy management, described as "under development" in the original Sec. 395 report, was completed in June 1998. The initial goal of the demonstration project was to combine under a single award the natural gas and heating oil requirements for installations in the Virginia, Maryland and Washington, DC market areas. The demonstration showed that the existing alternative of purchasing natural gas in the monthly buy program, and heating fuels in the direct delivery program, were more beneficial than making a combined single award.

In addition to having a single contractor provide all the facility energy needs of the installation, the project team was tasked with developing procedures to streamline the ordering, receipt documentation and payment processes. The project team developed an internet based ordering, receipt and payment system called PORTS (Paperless Ordering Receipt Transactions Screens) that streamlines the ordering and payment processes under DESC contracts through use of this paperless internet based application. The PORTS application (also listed as a DESC EDI initiative) is now undergoing parallel testing with customers and contractors who have agreed to participate in the initial testing phase. Other concepts introduced under the demonstration project, such as gain sharing, price conversions, and capped pricing, either have been or are currently being incorporated and implemented in the natural gas program to provide additional savings to the installations being supported under DESC contracts.

Energy Savings Performance Contracting (ESPC) Demonstration. This is an update from the original Sec. 395 report. This initiative has been passed to the U.S. Army Corps of Engineers as directed by DUSD(IA&I). The primary goal of DESC's ESPC Demonstration was to assist and facilitate the Military Departments with making the most cost effective use of existing tools to reduce energy consumption. The U.S. Army Corps of Engineers is responsible for this effort. DESC established a tiger team to visit 14 military installations to educate key personnel about the availability and benefits of DoD's demand management initiatives, and to bring together the right people to start the process. At the end of the demonstration project, nine of the fourteen bases were pursuing ESPC contracts, three were continuing with existing demand management efforts, and two were still investigating use of ESPCs. As of December 1999, only two installations have proceeded with an ESPC and both are nearing completion of a task order under U.S. Army Corps of Engineers contracts. The project confirmed the need for continued education in the area of demand management.

In addition, through a partnership established between DESC, the U.S. Army's Military District of Washington (MDW) and its five installations in the metropolitan Washington D.C. area, and the Department of Energy's National Renewable Energy Laboratory (NREL), DESC has, since the intial report, awarded the largest single ESPC project executed by a Federal Agency to date. This ESPC award will assist MDW in meeting important energy reduction goals and providing needed building and equipment upgrades without the requirement for spending additional tax dollars. It is anticipated that savings under this contract will exceed \$100 million, a reduction of more than 17 percent in overall energy costs. The contractor will install over \$67 million in capital improvements during the first three years of the contract. Fifteen energy conservation measures to buildings and equipment improvements were bundled into a single contract task order, the first of its kind for a group of installations. The five participating MDW installations - Ft. Belvoir, Ft. A.P. Hill, Ft. Myer, Ft. McNair, and Ft. Meade - are reaping the benefits of the cooperative effort.

Competitive Electricity Procurement Demonstration. Award has also been made for the California Centralized Electricity Procurement Demonstration, provided as an initiative in the original Sec. 395 report. The goals of DESC's competitive electricity procurement demonstration in California were to demonstrate the viability of aggregating and procuring regional DoD electricity requirements on a centralized basis and to reduce DoD electricity costs while maintaining reliability and power quality. DESC awarded a contract to New Energy Ventures (NEV) on May 12, 1998. The contract is for the delivery of approximately 5.3 million megawatthours of electricity over a period from June 1, 1998 through March 31, 2002. The estimated contract value is \$297 million. Of this total, \$129 million is for the competitively awarded commodity portion of the contract. Anticipated savings equal an estimated net present value total of \$1.7 million or 1.32% savings on the commodity cost. One of the realities of electricity restructuring is that, until stranded costs are recovered, savings will be minimal. (Stranded costs are that portion of investments made by a utility in generation and/or regulatory assets that would not be recovered if the utility were required to sell electricity at market prices.) This does not relieve DoD from the obligation to compete and the lessons learned from this demonstration will allow DoD to take full advantage of savings opportunities once stranded costs are recovered. The contract award to NEV included 87% of the total solicited quantity and included requirements from each of the Services. Since completion of this demonstration, DESC has issued a competitive solicitation in each state that has restructured its electric industry.

Utility System Privatization. DESC has continued to provide assistance to the Military Departments in the area of Utility System Privatization as described in the original response to the Sec. 395 tasking. DESC established a utility system privatization support team that includes a Program Manager, engineers, and contracting staff. DESC's utility privatization demonstration project that started as a joint venture between the Air Force and DESC in the San Antonio, Texas area was expanded to include eight Air Force installations, three Army installations and one Navy installation throughout Texas. The installations have completed the feasibility study phase. Once studies are completed DESC will provide contracting support and will issue a regional aggregated solicitation in the near future. DESC has also been actively working with several Army and Air Force sites to provide privatization contracting support, including a regional project in the state of Georgia in which the utility systems of four Army bases are being solicited under a regional aggregated approach. The solicitation for Georgia was issued in June 1999. Negotiations are tentatively scheduled to begin in February 2000. Over 200 systems in various regional areas are planned for utility privatization efforts.

Fuel Initiatives that Implement Electronic Data Interchange (EDI):

DoD Fleet Credit Card. This initiative is a new addition to the Sec. 395 report. The Defense Energy Support Center was selected by the Deputy Secretary of Defense to provide policy and program oversight for DoD's Fleet Credit Card after GSA's award of their Master Contracts for Travel, Purchase, and Fleet. DESC issued the DoD task order to US Bank and its partner, Voyager Fleet Systems, to provide fuel, maintenance, and emergency road-side service to DoD owned or direct leased vehicles. Currently, over 57,000 cards have been issued to military units in CONUS for use at over 144,000 locations; overseas expansion and on-base use is envisioned. It is estimated that this electronic "swipe at the pump" program will accrue savings of at least $2.5 million in the $30 million per year program. Detailed transaction reports are provided to Fleet Managers through FleetCommander, a proprietary software package. The reports can be used to identify taxes, fuel types, quantities, time of transaction, and driver identification. The software package will compute miles per gallon, provide total sales by category, such as, quantity, dollars, or vendor. One unique aspect of using the Voyager card is that the transaction can be denied at the pump for unauthorized use.

Paperless Ordering and Receipt Transaction Screens (PORTS). PORTS is a Web-based application designed to electronically process fuel transactions, and also is a new initiative for Sec. 395 reporting. Specifically, PORTS will process fuel orders, receipts, and invoices for deliveries to Department of Defense (DoD) and other Federal government customers over the Internet. The Web application is an integral component of the Fuels Automated System (FAS) and DLA Electronic Mall initiatives, and supports DoD reform initiatives for maximizing use of paperless processes. PORTS also meets requirements of the Prompt Payment Act. PORTS replaces a labor intensive, mostly paper process that is highly susceptible to errors and processing delays. The reengineered process automatically pulls fuels management information from requirements, bid evaluation, price escalation, and tax databases to minimize data entry and corrections. Invoices are matched with orders and customer verified receipts prior to payment, essentially eliminating unliquidated obligations and associated reconciliation. Prototype testing of the application occurred in April/May 1999, and limited live PORTS production continues. 22 contracts covering the mid-Atlantic states were awarded in October 1999. Contracts for the Southeastern states are anticipated to be awarded early in FY00.

Aviation Into-plane Reimbursement (AIR) Card. To support aircraft refueling needs of the Military Services and Federal Civilian Agencies at commercial airports worldwide, DESC contracted for a co-branded purchase card that is used to obtain fuel, fuel related supplies, and ground services, as needed. The AIR Card seeks to reduce the need for aircrews to use antiquated local purchase methods and eliminate the extensive paper trail process associated with open market purchases. It utilizes "best" commercial practices, minimizes hardcopy reporting, adopts EDI invoicing techniques, identifies future DESC into-plane contract locations, and provides aviators with accountability and direct oversight to their flying hour programs. As the AIR Card Program expands, future electronic initiatives, such as the installation of automated data collection devices at the military installations will automatically identify and accurately invoice the aviation units for their fuel needs worldwide. The AIR Card Program, through credit card contractor agreements, decreases overall operating costs and provides the cardholder with a direct discount from posted airport prices. The potential cost avoidance equates to approximately $10 million in fuel costs annually. This is a new program, not previously reported in the original Sec. 395 report submission.

DESC Enters the Gas Station Business. This is a new undertaking, developed since the previous Sec. 395 report was submitted. As DESC moves into the 21st Century, we are reviewing new ways to provide fuel and fuel-related infrastructure to the Services. DESC seeks to provide more efficient energy management methods, by taking advantage of commercial efficiencies and reductions in storage. DESC's goal is to make this important transition invisible to the customer.

Under the Central Service Station concept, DESC will replace outdated infrastructure, consolidate inventories, and reduce manpower needs by using Contractor-owned and operated gas stations to issue JP8, diesel, and gasoline. These commercially owned and operated service stations eliminate the need for government capital investment in infrastructure, and take advantage of commercial efficiencies at the base level.

DESC, in conjunction with the Joint Army Petroleum Center (APC), examined the situation and learned the following:

- Motor pool infrastructure consists primarily of World War II/Korean War vintage motor pool tanks and facilities at many bases that require major upgrading or replacement.

- Current U.S. Army manpower reductions are forcing reductions in the motor pool infrastructure.

- The cost of installing automation on outdated facilities is not prudent.

- DESC funds fuel system upgrades at Government-operated sites, although:

    - MILCON or MR&E are very costly.
    - Requires continuation of investment in manpower.

DESC, in coordination with the Military Services, is pursuing privatization of the military installations' fuel infrastructure by soliciting for private sector entities to build and/or operate contractor owned service stations on site. The MILCON cost avoidance for this phase of the approach is estimated to be $52.6 million.

In April 1997, the U.S. Army requested support from DESC to provide a solution for the motor pool refueling infrastructure deficiencies at Ft. Bragg, NC. The existing motor pool infrastructure consisted of 13 fuel points with underground tanks that did not meet 1998 Environmental Protection Agency (EPA) mandates. Three MILCON projects had been proposed requiring $6.5 million to replace the 13 motor pool fueling stations; however, MILCON funding was not available.

APC and DESC looked at several alternatives and the possibility of privatization for providing this operation and service. The best solution was to have a contractor provide, operate, and maintain two automated commercial fuel dispensing stations (Central Service Stations) on Government-furnished sites at Ft. Bragg. Each station would provide JP8 and gasoline with modern gas station pumps and there would also be a bulk truck/equipment loading rack at each station. The stations would be automated using a key lock system (similar to a credit card system) which would record Defense Fuel Automated Management System (DFAMS) inventory reporting requirements. Fuel would be provided to these gas stations under a bulk fuels contract.

APC, DESC, and Ft. Bragg developed a performance-based Statement of Requirement (SOR) for a Contractor-owned, Contractor-operated (COCO) service contract utilizing commercial standards and practices. This solicitation would become the pilot for future stations in CONUS. The resulting Ft. Bragg service contract was awarded with a performance period of October 1, 1998 through September 30, 2003 with three five-year options available. The Ft. Bragg site has been fully operational since November 1998. Cost savings are $7.5 million and the MILCON avoidance is $6.5 million. The contractor is responsible for all environmental compliance.

Schofield Barracks, Hawaii, was the recommended test site for the non-CONUS pilot project. The statement of requirement was developed to have a contractor provide, operate, and maintain one central refueling station including a bulk truck loading rack. With this initiative in place, the installation established a closure plan for all the motor pool fuel points, mobility fuel points and bulk tank farms at Schofield Barracks and Wheeler Army Air Field, a total of twelve sites. The Schofield Barracks service contract was awarded June 18, 1998 and included three five-year options. The Schofield Barracks site has been fully operational since February 1999. Cost savings are $6.7 million.

In addition to Ft. Bragg and Schofield Barracks, two more installations have been awarded. The Ft. Jackson, SC, service contract for a refueling station was awarded June 15, 1999 and included three five year options. The Ft. Jackson site is expected to be fully operational by December 1999. Cost savings are $400,000 and MILCON avoidance is $1.3 million. For the Marine Corps, a service contract was awarded for MCAS Twentynine Palms on December 15, 1998, which included three five-year options. The Twentynine Palms site is expected to be fully operational by January 2000. Cost savings are $1.5 million and MILCON avoidance is $1.9 million.

While the Army has been the majority consumer of this form of outsourcing through privatization so far, the Navy and Air Force are aggressively pursuing options that will best fit their missions. DESC stands ready to assist the Services in transforming requirements into solutions, while ensuring a robust fuels infrastructure and responding to the warfighter's needs.

FACILITIES MAINTENANCE

Maintenance, Repair & Operations (MRO) Program. DSCP is continuing progress towards the complete roll out of the MRO program described in the original Sec. 395 report. The MRO Program is a Prime Vendor, Integrated Supplier, and Defense Reform Initiative program managed by DSCP. Under this program, an integrated supplier provides total MRO support, which includes supplies required to maintain facilities, such as plumbing/HVAC/refrigeration, electrical, lumber, small tools, paint, hardware, and miscellaneous building supplies. The program supplies both NSN and non-NSN commercial items. The program incorporates internet access, credit card capability, simplified material return processes, and surge/contingency capabilities. Initial MRO awards were made in December 1996/June 1997 for the Southeast Region (includes the states of NC, SC, GA, FL, AL, MS, and TN) and Hawaii. Contracts for the remainder of CONUS were awarded by July 1998. An award was made for Okinawa/Japan in March 1999. Another award was made in August 1999 for Korea. As of July 1999 the MRO program had $42.2 million dollars worth of delivery orders placed by sixty-five participating customers.

AVIATION

KC135 Life Extension Program. DSCP has executed contracts needed to provide continuing support to DLA's aircraft maintenance customers through the KC135 Life Extension Program initially described in the original Sec. 395 report. The Program Manager for the overhaul of the KC135 aircraft provided a list of approximately 800 fasteners needed for the overhaul of the aircraft. Most of the items are unique, oversized parts not previously stocked, and were catalogued especially for this project. Demand is unpredictable, since the mechanics performing the overhaul will not know which parts or how many parts will be needed until work has begun, but once the requirements are known, the parts must be available quickly. Through market research, DSCP learned that industry would maintain "blanks" for each item. The blanks can be customized quickly when an order is received, thus enabling the contractor to decrease leadtimes. The contracts awarded in FY98 have a base period of two years, with three one-year options, allowing contractual coverage from June 1998 through 2003. The estimated yearly dollar value of sales is expected to exceed $2 million.

C-5 Program Depot Maintenance (PDM). DSCR has taken action on one of the VPV contracts for PDM that was included in the multi-platform PDM initiative in the original Sec. 395 report. Interim logistics support for the C-5 aircraft was provided under a letter contract with Lockheed Martin. It was a 12-month contract with a 6-month option, intended to provide support for the C-5 PDM function until a VPV contract is awarded. A bridge contract was awarded to Lockheed Martin to provide services only for Warner-Robins AFB until a new contract is in place. Estimated date of award is mid 2000. The VPV contract will include worldwide customers.

Aircraft Armature. Under another initiative newly included in the Sec. 395 report, DSCR awarded a requirements contract for an Armature, Motor Generator used on the T-37, H3, H-46, AH-1J, C-130F and KC-130. The award price saved $1685 per unit. Using refurbished material will save $328,610 for the base year, based on an estimated quantity of 195. This first long-term contract for NSN 6125-00-061-6652 reduces historical lead times from 247 to 60 days, with an acquisition leadtime of 30 days. These reductions can be expected to continue for the next four years due to the 3 option years on the contract.

Bell-II, Partnership for the New Millennium. DSCR is continuing our innovative relationship with Bell Helicopter, which was included in the original Sec. 395 report. They are establishing a single DLA-wide indefinite quantity contract with Bell Helicopter (CAGE 97499). The contract will have a three-year base and seven one-year options. DSCR is also attempting to incorporate sole source Bell Helicopter items managed by AMCOM and NAVICP into their contract. The contract will utilize electronic commerce via the Paperless Order Placement System (POPS) to process direct vendor deliveries to Bell. Bell will act as a guardian for the DLA-owned stock located at the Bell facility. The contract includes a requirement for the contractor to fill 90% of all the orders within six days to receive the authorized mark-up of 25%. The contract was awarded October 19, 1999. Another 1,000 NSNs have been included in this contract. The estimated dollar value of the three-year base contract is $92 million.

C-130 Gunship and the Apache Helicopter. DSCC completed the award *of* a long- term contract to Western Design Howden on March 24, 1999, originally described in the first Sec. 395 submission. It provides for 418 specialty mechanical components for ammunition handling systems for the C-130 Gunship and the Apache helicopter. These components are critical subunits of the chain assembly that loads ammunition into the magazine. The long lead times to procure products provided by Western Design threaten the military's ability to keep the C-130 in flight. The long term contract will provide a proactive way to support the customer needs. The contract, estimated at $3,710,261 per year, is for one base year and five one-year options, providing potential support for this system until 2005.

F110 Engine Parts. Another initiative contained in the original Sec. 395 report has been completed. DSCC, in conjunction with Oklahoma City Air Logistics Center, DSCP, and DSCR, established a contract for 450 sole source GE F110 engine parts. Award was made February 12, 1999 by OC-ALC. The goal of this award is to reduce lead times by working closely with the contractor and the customer at quarterly forecast review meetings. EDI will be used to the maximum extent possible to reduce manual workload and to reduce costs. The contract contains three base years and seven one-year options, providing coverage until 2009. Estimated dollar value for this acquisition is $1.74 billion for the ten years.

NSNs for Aerospace Applications. DSCC has completed action for several long term contracts described in the original Sec. 395 report. Contracts have been executed with Crane Resistoflex, Titeflex Corporation, and Aeroquip Corporation for various NSNs in support of aerospace applications. A long term contract has been established with Crane Resistoflex Company for 221 NSNs with an estimated annual value of $1,302,820.77. This contract is for one base year with three one-year options. A contract was established with Titeflex Corporation for 6 NSNs with an estimated annual value of $85,379.81. This contract is for one base year with four one-year options. A contract was established with Aeroquip Corporation for 81 NSNs with an estimated annual value of $514,273.29. This contract is for one base year with four one-year options. All three contracts were awarded January 27, 1999 and items include a mix of military and federal specifications, competitive items, noncompetitive items, and mainly support the aerospace application. Each contract contains long production lead times, therefore the majority of these items will be purchased for stock replenishment because this will provide the optimum customer support method. Each contract also allows for additional items to be added in the future.

DSCC continues to pursue additional long-term contracts with Titeflex Corporation, Crane Resistoflex Company and/or Aeroquip Corporation on 1074 NSNs, also in support of aerospace applications. The items are a mix of military and federal specifications, competitive and non-competitive items, all with long production lead times. For those reasons, the majority of these items are being purchased for stock replenishment because that provides the optimum customer support method in this case.

Anticipated award date is first quarter FY00. Resulting contract(s) will provide one base year and four one-year options, thereby providing support for these items until 2004. Where possible, these contracts will be EDI capable.

DSCC is pursuing a competitive corporate contract project with Aeroquip Corporation, Parker Hannifin - Stratoflex Division and Deustch Metal Components (through Wesco Aircraft Parts Co.) for predominantly aerospace NSNs. The first phase of this solicitation encompasses 564 NSNs, approximately 27% of which will be provided via Direct Vendor Delivery (DVD). Customers will be able to place orders using credit cards or via MILSTRIP requisitions. Some contracts have been awarded.

Efforts continue to provide coverage for additional NSNs. The contracts will contain one base year and four one-year options. The resulting contracts have a potential dollar value of $16 million, if all options are exercised.

ENGINES AND WEAPON SYSTEMS

Logistics Support of Engines and Weapon Systems. DSCR is continuing to work on a program reported under the original Sec. 395 submission as a virtual prime vendor effort. DSCR expects to issue RFPs for logistic support of spares for world wide customers and in connection with program depot maintenance to be performed at Oklahoma City Air Logistics Center, San Antonio Air Logistics Center, Warner Robins Air Logistics Center, Navy Depot North Island, Navy Depot Jacksonville, and Corpus Christi Army Depot. RFPs may address any one or combination of logistics support of replacement parts at these facilities including, but not limited to, the following: T53, AGT 1500, TF30, TF33, F100, or J52 engines, or C-5, C-130, C-141, F-15, F/A-18, S-3(ASW), E2/C2, EA-6B, KC-135, or E-3 weapon systems.

BATTERIES

Vehicular Battery Consignment Program (VBCP). DSCR is maintaining the innovative support arrangements provided by the VBCP, originally described in last year's Sec. 395 report. DSCR introduced the VBCP to DoD activities on 31 March 1995. At present, 215 DoD Active, Reserve, and National Guard activities are taking advantage of the program and reaping the benefits: batteries delivered ready for use, disposal of unserviceable batteries by the contractor, and reduced maintenance time and cost per battery. Additionally, the activity pays no initial battery consignment cost and receives a 180 day warranty for manufacturer defects.

Currently, the VBCP provides wet and charged type 6TLFP (12 volt), 2HN (12 volt), and 4HN (24 volt) Mil-Spec batteries to activities for use in combat and tactical vehicles. Over the past year, program coverage was expanded from CONUS to Alaska and Hawaii. VBCP offers the frequently used 6TL battery at a unit price of $68.20 as compared with a unit price of $80.76 required to purchase the dry battery with fill pack offered by TACOM. Over $8 million in sales were realized through the VBCP in FY 97. The actual sales for FY 98 were $9.7 million and projected sales for FY 99 are $9.7 million.

The interim maintenance-free 6TLFP battery was incorporated in August 1998. According to TACOM, the new maintenance-free technology will provide a longer life battery. Sometime in early 2000, the final maintenance-free 6TMF will be fielded. The 2HN and 4HN battery in the VBCP will not include maintenance-free technology changes at this time.

Customers readily see the benefits of the VBCP and are very receptive to it. To be placed on the VBCP, the activity must submit an application for participation, appoint a Government Battery Site Manager (GBSM), and purchase 120 batteries minimum total per year. For activities that do not meet the 120 batteries per year requirement, the new contract for the final 6TMF maintenance-free battery will also provide Direct Vendor Delivery (DVD) services.

ELECTRONIC COMMERCE

DLA Electronic Commerce Mall (EMALL). Efforts to expand the EMALL are continuing, as originally described in the original Sec. 395 report. The EMALL can be reached at "www.emall.dla.mil". The latest phase provides access to individual DLA (ECAT, ASCOT) and non-DLA (ITEC Direct) stores and DLA stock visibility/ordering. Future enhancements include regional pricing, more efficient user registration, and direct overseas shipping. EMALL provides a search engine to aid customers in finding and selecting the items. The EMALL currently can access 3 1/2 to 4 million items, with new vendors being added. Although the initial focus is on “shoppers” rather than mass requisitioners, we are developing processes to allow users to screen their needs against the EMALL before placing orders. Payment for supplies/services is by normal MILSTRIP billing processes or by use of the Government purchase (VISA) card. Under development for MILSTRIP users is the capability to feed data to their legacy supply systems when they use EMALL to requisition material.

Electronic Catalog (ECAT) for Troop Support Items. The original Sec. 395 report described ECAT initiatives for hardware items. That concept has been extended to Troop Support Items. ECAT for Troop Support items is managed by DSCP. ECAT is a front page on the EMALL which incorporates the Laboratory Integrated Delivery System (LIDS). LIDS is a contracting vehicle for the purchase of laboratory products by DoD and other Federal Government customers. The program uses the on-line web-enabled technology of ECAT to provide comprehensive coverage for laboratory supplies for research facilities and clinical use. There are nine LIDS contracts covering nearly 250,000 laboratory products. This program provides DoD customers total access to laboratory products in peacetime and mobilization, improves the industry's ability to provide nearly all products under one contracting arrangement, and significantly improves industry's ability to respond quickly to military mobilization and deployments. Although DoD customers are the main focus, other Federal customers, such as the Center for Disease Control and the Federal Bureau of Investigation's Forensic Lab, have signaled their intent to use the program. In addition the ECAT Troop Support platform includes dental and optical products. To date, there are over 24,000 dental products covered by five contracts, and 7,400 optical items available through eight contracts.

MATERIAL HANDLING EQUIPMENT

Material Handling Initiative (MHI). DSCP is continuing efforts from the original Sec. 395 submission to develop a prime vendor contracting arrangement to provide material handling supplies (stick items) and pallet management. Target area for initial implementation is the East Coast, encompassing what formerly constituted the Defense Depot Region East. Ten depots within that region have been identified as customers, along with several non-DLA depots located in the region. If the initial project is successful, MHI will be rolled out to the area that constituted the former Defense Depot Region West. The potential sales for this prime vendor contract are approximately $22.4 million. Initial award is anticipated for February 2000. DSCP will award a one-year contract with four one-year options, thereby by providing coverage until 2005.

Material Handling Equipment (MHE). DSCP is also continuing work on a Global Mobility Material Handling Equipment project known as the MHE initiative, also described in the original Sec. 395 submission. Through market research and consultation with the United States Transportation Command (USTRANSCOM), the Air Mobility Command was selected as the initial test site. They identified the 463L Cargo System as a candidate for a new support methodology. Dover AFB and

Travis AFB are the prototype sites for implementation. The contract was awarded in November 1999. Implementation will begin when approved by Air Staff. After successful implementation at the prototype sites, the MHE initiative will be rolled out to the other 11 air bases in the U.S., followed by cargo lifting bases in Europe and the Pacific area. The proposed contract is a one-year contract with four one-year options, potentially providing coverage until 2004.

LAND BASED SYSTEMS

High Mobility Multipurpose Wheeled Vehicle (HMMWV). DSCC awarded a corporate contract for the Up-Armor HMMWV to O'Gara Hess Corporation. The contract was awarded on April 7, 1999, utilizing the "Alpha" contracting process, which compressed administrative leadtime from 11 months to 5 months through the use of Government and industry teaming. Additionally, this contract included use of Direct Vendor Delivery (DVD) through the Electronic Procurement Program Interface System (EPPI; a DSCC electronic commerce system). Included in the package was a 10-Day delivery schedule for 258 of the 282 repair parts on the contract. The Integrated Product Team implemented an innovative approach to strip out individual purchase order freight costs and add them to an Other Direct Cost pool. This approach decreased unit costs, which resulted in significant cost savings to Department of Defense customers. The Team worked closely with Weapon System Support Managers (WSSM), Defense Contract Audit Agency (DCAA), Defense Contract Management Command (DCMC), Defense Supply Center Columbus Contract Review and Oversight Office, and Pricing and Program Managers of the O'Gara Hess Corporation. Culmination of the project resulted in a 5-year fixed price contract with a cumulative escalation of only 4.8% over 5 years. From previous contract history, negotiated price savings were in excess of $400,000 a year. This effort will ensure that all programmed HMMWVs will have bulletproof windows and armor plated doors, with rapid delivery at reduced cost. On November 18, 1999, an additional 581 NSNs (representing an annual demand value of $1.19 million) were added to this award. A third phase will add another 513 NSNs (representing an annual demand value of $750,000) is currently in process and will be completed by February 2000. This initiative is a new addition to the Sec. 395 report update.

M9 Armored Combat Earthmover (ACE). DSCC is continuing work *to* develop a virtual prime vendor for the M9 ACE, both the Army and Marine Corps versions as described in the original Sec. 395 report. The operational goal is to maintain 90% readiness status. The effort will initially target approximately 2,000 NSNs unique to the M9 ACE, plus any common NSNs considered necessary to achieve the operational readiness goal. The vendor will also provide technical and supply support including diagnostic field services, training, interface with the major military customers of the M9 ACE, configuration management, and order status. Discussions are ongoing with the candidate contractor, with several key issues remaining to be resolved. DSCC anticipates making award late in 1999.

Marine Light Armored Vehicle (LAV). DSCC's effort on the Marine LAV is a new addition to the Sec. 395 report update. DSCC is planning a long-term contract with General Motors of Canada, the controlled source for 100 items for the Marine, Light Armored Vehicle (LAV). The project has an estimated annual demand value of $1.2 million. Solicitation release is projected for January 2000 with award during 4th quarter FY00.

Cranes. DSCC awarded a long-term contract to Grove North America for mobile hydraulic and truck mounted hydraulic cranes and aerial work platforms. This initiative was included as a planned award in the original Sec. 395 report. Items included support cranes such as the RT41AA SCAMP, an airliftable rough terrain crane for the Army, the RT875CC rough terrain container crane, the TT513.5 aircraft towing tractor, and cranes designed for the Army's HEMTT vehicles. The contract covers the company's entire price list, which includes the items most frequently ordered by military and commercial customers. The leadtime for approximately 95% of their products is no greater than ten days, with pricing at a 25–27% discount from their list price. Customers are able to order directly from Grove and use the IMPAC credit card. The contract provides for one base year and four one-year options, providing coverage until 2004. Estimated annual demand is $1.8 million.

General Automotive Parts. DSCC is planning a competitive acquisition project encompassing 105 NSNs with an annual demand value of $2 million. Projected solicitation release date is March 2000 with a projected award of 4th quarter FY00. This project is being reported as a Sec. 395 initiative for the first time.

MARITIME SYSTEMS

Composite Material Pumps. DSCC continues to pursue the corporate contract with Warren Pump for composite material pumps included in the original response to Sec. 395. These parts are expected to have a longer useful life in maritime application. DSCC intends to award a contract for one base year plus four option years. Award is expected to be made by first quarter FY2000, thereby potentially providing coverage until 2004.

Metallic Pumps. DSCC is pursuing a corporate contract with Warren Pump for metallic pumps. This contract was also described in the original Sec. 395 report. This acquisition covers over 500 pumps and pump parts used in maritime applications. It will provide the greatest benefit for our Navy customers through reduced administrative leadtime. DSCC expects to award this contract in late 1999. The contract will provide one base year and four option years, thereby providing coverage until 2004.

Maritime Application Valves. In completion of one of the initiatives from the original response to Sec. 395, DSCC has awarded a corporate contract to J. A. Moody Equipment Specialists Inc. (a Keystone Valve USA Inc. distributor), for 447 NSNs that mainly support the maritime application for various parts and spares for valves. This contract was awarded April 24, 1998 with an estimated annual value of $1,184,000 for one base year and four one-year options, providing coverage until 2003. The contract provides coverage for customers in the United States, Alaska, Hawaii and overseas, including United States possessions and FMS customers. Virtually all orders are issued via Electronic Data Interchange (EDI) for stock replenishment and/or DVD, and customers also have the ability to order using the IMPAC card. The contract also allows for additional items to be added in the future.

Valves for Naval Vessels. DSCC awarded a corporate contract to Milwaukee Valve for a wide assortment of valves and fittings for use primarily on a variety of naval vessels to complete action on an initiative from the original Sec. 395 report. Benefits are leadtime reductions from 120 days to 30 days for most NSNs. Customers are encouraged to use their IMPAC credit cards to order directly from the awardee. Deliveries will be DVD, with some stock replenishment. The awarded contract is for one year with four one year options, thereby providing coverage until 2004. Estimated annual demand is $1.8 million.

Valves for Naval Weapon Systems. DSCC awarded a long-term contract in May 1999 with Dante Valve Company for safety relief valves used on various naval weapon systems. This is another completed action for an initiative described in the original Sec. 395 report. The contract will require use of EDI, POPS, and standard commercial packaging. Reduced production lead times will contribute to timely support of the Naval customer. FMS customers also will be supported by this contract. DSCC awarded a base year contract with four one year options, so coverage can be extended until 2003.

Filters, Valves, Assemblies, and Kits for Naval Weapon Systems. Work continues on this initiative from the original Sec. 395 submission. DSCC is pursuing a long term contract with Air Dry Corporation of America for filters, valves, thermowell assemblies, and repair kits for various Naval weapon systems for the Nimitz, Los Angeles, and Ohio class ships and submarines. The use of EDI will be required for this contract, and customers will be able to use credit cards to make purchases. Benefits will accrue from decreased administrative and production lead times, and use of commercial packaging for direct shipments. FMS customers will be supported by this contract as well. Contract will contain one base year plus nine one-year options, allowing use of this contract until 2008, if all options are exercised. This contract was awarded in August 1999.

Landing Craft Air Cushion (LCAC) customer support. The LCAC Customer Support Initiative is underway at DSCC to support the LCAC maintenance customers with a long-term contract arrangement. This is a new program for the Sec. 395 report. Coverage pertains to approximately 175 NSNs with an annual dollar value of approximately $2.7M. The customers' projected demands have been received and the NSNs have been put into one of three tiers to accommodate diversity of support. Data research and market research of industry is ongoing. Solicitation is expected in August 1999 with award during FY2000.

Watertight Door Customer Support. The Watertight Door Customer Support Initiative is another new program being included in the Sec. 395 report for the first time. It is a lead center initiative aimed at providing the Navy with easier access to existing commercially held inventories, convenient order processing procedures, and reduced customer wait time. NAVSEA and NAVICP-Mechanicsburg identified customer support issues pertaining to watertight door parts and assemblies. The preliminary parts list, which contains 300-500 items, is being refined. The estimated total annual dollar value exceeds $1M, but is not yet finalized. DSCP is the lead contracting office. Award is anticipated for FY 00.

OTHER INITIATIVES

Fire Fighting Equipment, Related Services, and Training. DSCP has implemented this prime vendor initiative from the original Sec. 395 report, for fire fighting equipment, related services, and training. Supplies furnished under this contract include hoses, hose fittings, nozzles, tools, fire extinguishers, extinguishing agents, ladders, poles, shovels, regulators, hazmat suits, rescue devices, Self Contained Breathing Apparatus equipment, and turnout gear. Long term contracts were awarded to cover the Continental U.S. (including Alaska and Hawaii). There are approximately 400 customers throughout the Continental U.S. Program implementation has begun throughout the regions. The contracts have a two-year base period and three one year options, allowing this program to provide support until 2004. Potential yearly sales are estimates at $12 million. A contract for the Western/Central Region was awarded in August 1999. Contract award for the European and Pacific regions is planned for May 2000.

Marine Lifesaving and Diving Equipment. DSCP has completed action on the prime vendor initiative to provide marine lifesaving and diving equipment, tools and services to the diving organizations of the Military Services included in the submission for the original Sec. 395 report. Three long term contracts were awarded in November 1998. The contracts potentially will provide support through 2003 by way of one base year and four one-year options. There are approximately 170 potential customers. Customers that are serving as initial implementation sites are:

- Consolidated Diving Unit, San Diego, CA
- Explosive Ordnance Disposal Mobile Unit 3, San Diego, CA
- Explosive Ordnance Disposal Mobile Unit 5, Guam
- Explosive Ordnance Disposal Mobile Unit 11, Seattle, WA
- Mobile Diving and Salvage Unit, Pearl Harbor, HI.

Total sales realized for the Pacific region are $1.7 million. The target award date for the Atlantic region is December 1999.

Photographic Industry Contracts (PICs). Activity described in the original Sec. 395 report for this program has been expanded. DSCP has enhanced the support provided to customers for photographic supplies. They have added 5,441 NSNs to the existing PICs, and will include digital products in the near future. All PICs are long term contracts covering one base year and four one-year options, thereby providing support until 2001. Currently, customers can use the PIC web page (www.disc.dla.mil/general/nfphoto.htm) to search for available products. In addition, the PIC contracts have been added to the DLA E-Mall.

Modern Burner Unit (MBU). DSCP executed an action described in the original Sec. 395 report, when a contract for the MBU was awarded in January 1998. The MBU will replace the M2A gasoline fueled burner unit in the Army's entire inventory of field kitchens. The Army will gain a far greater capability to support military field feeding and food service operations with a unit that operates more efficiently and uses a safer fuel (JP8) than the gasoline that is currently being used. Estimated sales are $12 million per year.

Rekeyable Lock Project. Contract award has been completed for this project contained in the original Sec. 395 report. The project was intended to tap into the rekeyable lock market to obtain commercial security products and services utilizing the most current version of technology. A contract with one base year and four one-year options was awarded in

June 1998, providing support until 2003. Customers include all DoD activities, and the potential annual sales are $975,000.

Regional Integrated Suppliers (RIS) for Metals, Metal Products and Services. In order to complete another action included in the original Sec. 395 report, DSCP has established Regional Integrated Suppliers for Metals, Metal Products, and Services. Initial award of a contract with a two year base period and three one year options was made in March 1998, thereby providing coverage until 2003. Supplies and services provided under these contracts include ferrous and non-ferrous metals used in major over hauls of ships and aircraft. The program is being tested in the Southeast region at the following sites: Norfolk Naval Shipyard, Shore Intermediate Maintenance Activity, Norfolk, Fleet Industrial Supply Center, Norfolk, and NASA-Langley Research Center, Virginia. The Southeast region has realized $7.8 million in sales through July 1999. Three additional awards, for the Central, Northeast, and Western regions, were made in June 1999. The implementation sites for those regions are Tinker AFB, Tobyhanna Army Depot and Puget Sound Naval Shipyard respectively. This will be followed by a rollout to all CONUS regions. Solicitations for Europe and the Pacific are in the planning stages. Awards for these regions are projected for April 2000. Estimated sales range from $1 million to $65 million, depending upon the number of customers committed to the program.

Water Purification Components. Initial award for this project described in the original Sec. 395 report has been completed. DSCC awarded a long- term contract for water purification components to Aqua Chem on November 30, 1998. The contract includes Aqua Chem's entire price list of over 5,000 part numbers, with 466 specific NSNs cross-referenced for future automatic EDI ordering. The contract covers items managed by DSCC, DSCP, DSCR and the Navy Inventory Control Point (NAVICP). This procurement has dramatically reduced lead-times, with 25% of the NSNs having 5 days delivery and nearly 50% having 30 days or less. The long- term goal is to get Aqua Chem to provide 5-day delivery on all awarded items. EDI is being used by DSCC on all orders, for both stock and DVD, in order to reduce manual workloads and reduce costs. The contract is for one base year, with four one-year options, providing coverage until 2003 if all options are exercised.

Pump and Compressor Parts. Another initiative described in last year's Sec. 395 report is still being pursued. A corporate contract for pump and compressor parts manufactured by Blackmer Pump is still being sought by DSCC. The proposed contract will offer ease of ordering using the IMPAC card, as well as normal requisitioning procedures. Direct vendor deliveries will contribute to reduced production and administrative lead times. Planned award date is first quarter FY 2000. The proposed contract will contain one base year, plus four one-year options, thereby providing coverage from 1999 through 2004.

Components for Diesel Engines. A corporate contract for parts kits, piston ring sets, valves, and other components for diesel engines was awarded by DSCC. This is another continuing initiative from the original Sec. 395 report. The items, which include competitive and non-competitive items, are manufactured by firms such as F.P. Diesel (formerly Korody Colyer), Detroit Diesel, General Motors, and others. Customers for this project are Army and Navy users. The contract will provide for one base year plus four one- year options, covering the period 1999 through 2004.

Gears, Gear Boxes, and Repair Kits for Air Force customers. DSCC is seeking to develop a corporate contract for gears, gear boxes, and repair kits for Air Force customers. Manufacturers of these parts include Gear Systems, Inc. (formerly Lucas Geared Systems), Cooper Industries, Precision Gear, Lockheed, and others. The items are a mixture of competitive and non-competitive items. The award is planned for the second quarter FY 2000. The contract awarded as a result of this effort would provide support for one base year and four one-year options, 2000 through 2005. This continuing initiative also was included in the original Sec. 395 submission.

Aerospace Support Items. In completion of a project described in the original Sec. 395 report, long term corporate contracts have been established by DSCC with Pall Aeropower Corporation for 559 NSNs with an estimated annual value of $7,139,327.94; PTI Technologies Inc. for 40 NSNs with an estimated annual value of $1,186,306.95 and Fluid Conditioning Products Inc. for 22 NSNs with an estimated annual value of $404,288.22. All three contracts were awarded January 28, 1999 for one base year with four one-year options, providing coverage until 2004. The contracts include a mix of military and federal specifications, competitive, noncompetitive items and support aerospace applications for Air Force, Army, and Navy customers. Each contract contains long production lead times; therefore, the majority of these items will be purchased for stock replenishment because this will provide the optimum customer support method. Each contract also allows for additional items to be added in the future.

Lubricating Oils. This description provides an update for an initiative already reported as awarded in the original Sec. 395 report. DSCR awarded five long-term EDI/DVD contracts for 13 high-demand NSNs covering four military specifications for lubricating oils. The specifications also require that only oils listed on the Qualified Product List be purchased. The contracts allow the contractors to blend the product and ship them DVD within 30 days in lieu of the 150-180 days previously required for depot shipments. Projected benefits include an estimated 8.5% per unit savings for DVD instead of stock shipment, based on contract prices, an acquisition lead time reduction of 75 days, and a production lead time reduction of 120-150 days. The contracts include 2 option years. Estimated dollar value is $30 million for all five contracts.

Closed-Loop Re-Refined Oil Program. This is another update for an already-awarded initiative from the original Sec. 395 report. The Closed-Loop Re-Refined Oil program provides re-refined oil with added value. When a customer orders re-refined oil from DSCR, pickup and disposal of their used oil is included as part of the service provided by the contractor. This is a great benefit to customers who now have to deal with cumbersome disposal contracts, contract administration, environmental concerns associated with disposal, and additional costs for disposal of used oil that range from $0.05 to $1.00 per gallon. This program prevents customers from having to pay to purchase re-refined oil and also to dispose of it. DSCRs Closed-Loop program offers 12 NSNs (4 for each grade of the 3 grades of oil): 10W30 in accordance with a commercial item description, 15W40 in accordance with a commercial item description, and 15W40 in accordance with Military specification Mil-L-2104. The program allows bulk deliveries as well as packaged offerings. The Closed-Loop program is available to all CONUS military and federal installations. The award was made in February 1998 for a one-year contract with four one-year options.

Gyroscope. This project is a new addition to the Sec. 395 report. DSCR awarded a contract in June 1997 for a Gyroscope, Rate. Negotiations were conducted on a competitive basis and resulted in a unit price of $2,083 for an estimated annual quantity of 1,100 each and an annual estimated value of $2,291,300. The contract provides for 4 option years at the same price, for a total estimated contract value of $11,456,500. The negotiated unit cost is $295.00 less than the price paid in November 1995.

Paper. DSCR awarded a contract for two NSNs to Frank Parsons Paper Company for map paper for the National Imagery and Mapping Agency (NIMA). The contract provides a two year base period with 3 one-year options. Items were solicited IAW Commercial Item Descriptions. Guaranteed minimum is one truckload per NSN per year and delivery is 14 days ARO. Total dollar value per year is $910,521. Another contract resulted from the same solicitation and was awarded to Walker, Goulard, Plehn Paper Company. Four NSN's were awarded to this vendor on a contract with a two year base period with 3 one-year options. Delivery is also 14 days ARO. Total dollar value per year is $2.4 million. Guaranteed minimum: one truckload of paper per year per NSN. This project is being included for the first time as part of the Sec. 395 report.

Cable Assemblies. DSCR awarded its first long term agreement with UNICOR - Electronic Division under contract number SPO451-97-D-4004 in October 1996, and has continued to enhance the business arrangement since that time. The contract is for cable assemblies procured in accordance with military specifications. It is a one year contract with four one-year options, including guaranteed minimums for each year. The estimated dollar value is $19 million over five years. The agreements incorporated Direct Vendor Delivery (DVD) and stock shipments using electronic commerce. This arrangement has allowed for better pricing, since UNICOR was able to establish long term agreements with their material suppliers based on firm requirements for five years. In addition, the UNICOR agreement has reduced administrative lead times from several weeks to less than two days, reduced production lead times from 280 to 15 days for DVD shipments, and 30 days for stock shipments. In an effort to reduce administrative lead times even further, UNICOR agreed to give five year waivers on all items solicited but not incorporated into the long term agreement due to pricing issues or technical complexities. These five-year waivers have allowed DSCR to take advantage of lower prices in the marketplace. This project is also being included for the first time as part of the Sec. 395 report.

Aircraft Surface Cleaning Compounds. As part of a previously described Sec. 395 initiative, DSCR awarded a contract to Crest Industrial Chemicals, Inc. for aircraft surface cleaning compounds. This is a one year contract, with four one-year options available. Delivery for DVD/EDI orders is in 15 days, and for stock shipments delivery is in 30 days. The contract, with an estimated total contract price of $486,645, provides a 75-day reduction in administrative leadtime and a 45-day reduction in production leadtime, as well as reductions in price for the items.

European Lumber Support. European Lumber Support is being included for the first time in the Sec. 395 report. Since April 1999, DSCP has awarded $17 million to provide lumber for U.S. Army customers in Europe. The majority of customer requisitions have been satisfied through direct vendor delivery (DVD) contracts from Austrian lumber mills, with an average leadtime of 7 days.

Partnering with GSA. This program is also being included for the first time in the Sec. 395 report update. DSCP's Command, Control, Communications, Computers, and Intelligence Products (C4I) business unit has entered into a partnership with GSA and Boise Cascade to offer our customers the ease of electronic ordering, lower prices through leveraged (volume) buying, next-day delivery on most commonly-ordered administrative supply items, and tailored usage reports. A basic purchase agreement was written against a GSA supply schedule with Boise Cascade. Although this company is best known for office supply products, they also offer office machines, ADP equipment and supplies, and some telecommunication items. The same ease of ordering is available on these items.

Additional Commercial Practice Initiatives

All the initiatives that follow are new additions to the Sec. 395 report:

Strategic Supplier Alliance. DLSC is working with the Deputy Under Secretary of Defense (Acquisition Reform) on a Rapid Improvement Team to develop and implement a Strategic Supplier Alliance between DLA and AlliedSignal Company. Team members include representatives from DLSC, DCMC, DCAA, DSCR, DSCC, DLA General Counsel, DoD Inspector General, OSD(AR), Army, Navy, Air Force, and AlliedSignal Company. The team is using a Rapid Improvement process and a professional facilitator to assure expedited completion of this initiative. The intent of this cross-functional team is to develop a model for a Strategic Supplier Alliance that can be used with other DoD industry partners.

Share in Savings Program. DSCP's Share in Savings Program was Congressionally mandated in Section 354 of the FY96 Defense Authorization Act (entitled "Demonstration Program to Identify Overpayments to DoD Vendors"). The program used a private contractor to audit accounting and procurement records in order to identify the following: overpayments; duplicate payments; unauthorized charges; and other discrepancies between amounts paid and actually collected. The contractor used commercial data processing techniques to audit the records. The award was made in September 1996. Since that time the contractor has identified $27.3 million in overpayments. A follow-on program was created by Section 388 of the FY98 Defense Authorization Act. The new program increases the audit scope to include all Defense working capital fund activities, authorizes collection by set-offs, and authorizes a contingency fee of up to 25% amounts recovered. This also makes the program self-funding. Two contracts for the follow-on program were awarded in September 1999 to Profit Recovery Group International, and Price Waterhouse Coopers. These are "master" contracts for use by all DLA Supply Centers. Each Supply Center will issue task orders and perform their own administration.

Business Systems Modernization (BSM). DLA is working to modernize its existing logistics systems to match new information technology with the organizational structures, concepts, and business practices needed for successful attainment of DLA's strategic goals. The BSM strategy will enable DLA to achieve its long-range business objectives and support improved Military readiness, through the accessibility and velocity of logistics information. It will replace DLA's main supply system with an expanded enterprise computing environment and commercial-off-the-shelf software packages. The BSM strategy is fundamental to DLA's plans to adopt best business practices, such as streamlining the supply chain from the point of demand to cooperative planning with suppliers and delivery to ultimate customers.

A-76 Competitive Sourcing. DLA has initiated a multi-phased program of competitive sourcing studies as allowed under OMB Circular A-76 for its distribution depots, defense reutilization and marketing offices (DRMOs), and document management production functions. The purpose of these competitions is to use the leverage of market forces to drive down the cost of operations for our customers. In-house work forces will compete their Most Efficient Organizations against best value offers submitted by industry for the right to provide these services. The first competitive sourcing studies covering distribution depots at Barstow (California), Warner-Robins (Georgia), and Columbus (Ohio) and ten DRMO sites were initiated in March 1998. In March 1999, studies covering six additional distribution depots at San Diego (California), Jacksonville, (Florida), Albany (Georgia), Cherry Point (North Carolina), Hill Air Force Base (Utah), and Richmond (Virginia) were announced. The document management production functions study was announced in August 1999. DLA intends to complete all competitive sourcing studies within twenty-four months of their initial announcements.

Purchase Card Program. DLSC, as the lead on DLA's purchase card program, has aggressively embraced recent purchase card initiatives in order to empower users and maximize related efficiencies. A major re-write to DLA purchase card policy has made the purchase card the mandatory purchase and/or payment vehicle for all micro-purchases, and the mandatory payment vehicle for all DD Form 1556 training up to $25 thousand. Guidance on the utilization of purchase card convenience checks as a payment method has also been incorporated to address circumstances when no vendor can be identified that will accept the purchase card. Use of the purchase card to pay for orders exceeding the micro-purchase threshold placed against established contract vehicles is also encouraged, as is the use of the card as a payment vehicle for contracts that exceed the micro-purchase threshold. Additionally, requirements to procure environmentally preferred products as specified in Executive Order 13101 have been implemented, ensuring cardholder awareness of recyclable content and energy efficiency compliance mandates. The purchase card is also the key enabler on cutting edge electronic ordering initiatives such as EMALL.

Integrated Casting Design (ICD) Team. DLA teamed with the Army's Watervliet Arsenal and Benét Laboratories, and the American Metalcasting Consortium to reinvent the Army's metalcasting design and acquisition process. The team received one of Vice President's Gore's Hammer Awards. They developed a process known as CAST-IT, which rapidly analyzes customer requirements and makes a determination whether or not the part should be a casting. They implemented a Blanket Purchase Agreement with pre-qualified foundries. This arrangement facilitated expedited communication, design and award of contracts while ensuring competition. The team was able to take advantage of professional expertise and technical support through the American Metalcasting Consortium, its foundry experts and constituent trade associations. Application of the methods devised by the team resulted in new designs and manufacturing processes for the Fast Frigate Thrust Assembly, the XM297 Crusader Manifold, the M284 Prereservoir, and the Lightweight Howitzer Towing Bracket. Total estimated savings to the government are $4.2 million.